

Message Text

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SUBJ: OVERSEAS BUSINESS REPORT (OBR), SOUTH AFRICA

REF: USDOC 14397.

1. FOLLOWING INFORMATION RESPONDS TO REFTEL REQUEST FOR
UPDATE OF SPECIFIC ITEMS IN 1974 OBR " MARKET FACTORS IN
SOUTH AFRICA."

2. (A) IN P. 15 OF OBR, PARA 2 UNDER CREDIT, TOTAL BANK
ASSETS AS OF MARCH 1976 WAS 8.4 BILLION RAND. OF THIS,
ABOUT TWO-THIRDS HELD BY TWO LARGEST BANKS, BARCLAYS AND
STANDARD. IN PARA 3, TOTAL LIABILITIES OF COMMERCIAL
BANKING SECTOR WERE 8,370 MILLION RAND IN MARCH 1976 (I.E.
EQUALLED ASSETS). TOTAL ADVANCES AND DISCOUNTS FOR SAME
PERIOD WERE 4,291 MILLION RAND. (B) RE PARA 11, EFFECTIVE
10/21/75 LIQUIDITY REQUIREMENTS FOR COMMERCIAL BANKS SET
AT 55 0/0 AGAINST SHORT-TERM LIABILITIES AND 30 0/0 AGAINST
MEDIUM-TERM LIABILITIES. LIQUIDITY REQUIREMENTS FOR OTHER
TYPES OF BANKS (EXCEPT DISCOUNT HOUSES) IS 50 0/0 AGAINST
SHORT-TERM LIABILITIES AND 29 0/0 AGAINST MEDIUM-TERM.
IN ADDITION, SUPPLEMENTARY LIQUID ASSETS EQUAL TO AT
LEAST 20 0/0 OF INCREASE IN SHORT-TERM LIABILITIES AND
10 0/0 OF INCREASE IN MEDIUM-TERM LIABILITIES SINCE END
OF SEPT 1975 REQUIRED TO BE HELD BY ALL BANKS EFFECTIVE
NOV 21, 1975 (SEE 1976 SA RESERVE BANK REPORT P31).

(C) NEW BANKING ACT ENTITLED "FINANCIAL INSTITUTIONS

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AMENDMENT ACT" WAS PUBLISHED IN GOVERNMENT GAZETTE OF JULY 23

(NO 5217) WHICH WAS POUCHED OIM AUG 3.

3. RE ENTRY AND REGISTRATION OF CAPITAL, SARB ADVISES P21 PARA 2 REMAINS VALID EXCEPT (A) TERMS " SECURITIES RAND" AND " SECURITIES RAND ACCOUNT" HAVE REPLACED TERMS " BLOCKED RAND" AND " BLOCKED RAND ACCOUNT" (BLOCKED RAND NOW REFERS ONLY TO ASSETS OF EMIGRANTS FROM S.A.), (B) TERM AUTHORIZED FOREIGN EXCHANGE DEALER REPLACED BY AUTHORIZED BANK, (C) BESIDES FOUR MEANS OF USING SECURITIES RAND LISTED PARA 2, SECURITIES RAND MAY NOW BE TRANSFERRED FROM ACCOUNT OF ONE FOREIGN HOLDER TO ACCOUNT OF ANOTHER IN BOOKS OF ANY AUTHORIZED BANK. (THIS CAN BE DONE IN RETURN FOR PAYMENTS OR OTHER ARRANGEMENTS COMPLETELY OUTSIDE S.A. WITH WHICH S.A. EXCHANGE CONTROL AUTHORITIES NOT CONCERNED.) PRECEDING CAME INTO EFFECT FEB 2, 1976 AND IS BELIEVED TO BE NEW PROCEDURE REFERRED TO IN REFTEL.

4. RE TAXATION, (A) DEPT INLAND REVENUE STATES P21 PARA 4 SHOULD BE CHANGED TO STATE COMPANIES ARE TAXED AT FLAT RATE OF 40 0/0 OF TAXABLE INCOME PLUS A 3 0/0 SURCHARGE AND 6 0/0 LOAN LEVY (REPAYABLE WITHIN 7 YEARS AT 50 0/0 INTEREST) SO THAT THE EFFECTIVE RATE OF TAX IS 49 0/0. INCOME FROM GOLD AND DIAMOND MINING IS TAXED UNDER SPECIAL FORMULAS, BUT GENERAL COMPANIES RATE APPLIES TO INCOME FROM OTHER (NON-GOLD AND DIAMOND) MINING. LAST SENTENCE P21, INITIAL ALLOWANCE NOW

25 0/0 AND IN ADDITION THERE IS 30 0/0 INVESTMENT ALLOWANCE FOR NEW MACHINERY BROUGHT INTO USE AFTER 3/27/75. (EFFECT IS TO ALLOW 130 0/0 OF VALUE OF ASSETS FOR TAX DEDUCTION PURPOSES.) (B) P.22, PARA 2 SHOULD STATE UNDISTRIBUTED PROFITS TAX IS ASSESSED AT RATE OF 330 0/0. HOWEVER ALLOWANCE FOR NON-DIVIDEND NET PROFITS, PLANT AND MACHINERY COSTS NOW 55 0/0, ALLOWANCE OF DIVIDEND NET PROFIT FOR PUBLIC COMPANIES NOW 35 0/0. INLAND REVENUE OFFICIALS STATE THAT, WITH THESE CHANGES, IN EFFECT ONLY FINANCIAL COMPANIES SUBJECT TO UPT. EMBASSY POUCHING TO OIM RECENT SAG BOOKLET DESCRIBING TAX STRUCTURE.
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